Approved For Release 2000/08/29 : CIA-RDP78-05538A000300040035-7

CONFIDENTIAL

BF-1327

10 March 1955

Chief, Procurement Division/LO

Chief, Finance Division

25X1A

Concurrence in Contract [redacted] 25X1A

REF : Memorandum to Chief, Finance Division from Chief, Procurement Division, dated 9 March 1955, subject above.

1. Reference memorandum requests concurrence of this office in adoption of overhead rates established by [redacted] for the period 1 July 1954 through 31 December 1954, as fixed overhead rates under the subject contract for the period 15 September 1954 through 31 December 1954. 25X1C

25X1C 2. Subject memorandum does not contain certification by the Contracting Officer to the effect that he has determined that provisions of [redacted] contracts contain no significant variations from the provisions of our contracts as they pertain to elements of cost. Review of attachment "A" however, reveals no significant variations from the handling of comparable items under our contract.

3. As a matter of general accounting principle we do not feel that it is appropriate to establish overhead rates for subsequent periods on the basis of past periods performance, since changes in the contractor's accounting system may be made in such manner as to materially change the overhead factor in cost determinations. It is 25X1C assumed, however, that such possibility will have been taken into consideration by [redacted] and that that service is in position to protect the Government from adverse effects of such changes.

4. In view of the above, we will not object to the establishment of the use of 93 per cent for Engineering overhead and 4.3 per cent for G&A Expenses as the negotiated fixed overhead rates under the subject contract for the period 15 September 1954 through 31 December 1954, subject to the including of a provision in the contract which will 25X1C provide for redetermination of the rates should the rates established by [redacted] for the period be subsequently revised.

25X1A [redacted]

cc: Comptroller
ICAB

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Document No. 61
No Change in Class. ☐
☐ Declassified
Class. Changed To: TS S (b)
Auth: 05 OCT 1978 By C26

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